United Nations S/2000/1204

Security Council

Distr.: General
18 December 2000
English
Original: Arabic

Letter dated 16 December 2000 from the Permanent Representative of Iraq to the United Nations addressed to the Secretary-General

On instructions from my Government, I have the honour to transmit to you herewith a letter dated 13 December 2000 from Mr. Mohammed Said Al-Sahaf, Minister for Foreign Affairs of Iraq. The Minister affirms Iraq's just demand that all of the banking operations relating to revenues under the memorandum of understanding of 20 May 1996 should be performed by more than one bank.

I should be grateful if you would have the present letter and its annex circulated as a document of the Security Council.

(*Signed*) Saeed H. **Hasan**
Ambassador
Permanent Representative

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Annex to the letter dated 16 December 2000 from the Permanent Representative of Iraq to the United Nations addressed to the Secretary-General

At one time Iraq proposed to the United Nations Treasury that banking activities relating to the memorandum of understanding of 20 May 1996 (S/1996/356) should be performed by more than one bank in order to take advantage of legitimate rivalry between banks and of their discretionary practices and also to prevent any one bank from having exclusive control of the funds in question, which might place Iraq's financial resources at risk. The United Nations Treasury nevertheless proceeded to adopt a different measure, requiring only diversified investment of the funds, instead of accepting Iraq's proposal that the various activities relating to the implementation of the memorandum of understanding should also be shared. Iraq's integrated proposal was thus transformed into the mere distribution of accumulated deposits among several banks. This measure amounts to no more than the opening of an account in the name of the United Nations and the bank investing the funds transferred to it whenever the United Nations Treasury finds this necessary.

This means that no substantive measures are taken to protect Iraq's assets from the risks inherent in the decisions and discretion of a single bank.

Iraq's goal in advocating the sharing of the banking activities relating to the memorandum of understanding is to utilize its funds in accordance with professionally sound banking practices and the notion that the banking activities performed by the bank holding the account should be divided between it and others so that none of Iraq's rights with respect to its resources are forfeited and the country is not burdened with unfair costs.

Iraq's proposal also seeks to regularize, facilitate and improve the efficiency of banking activities relevant to the management and implementation of the memorandum of understanding. This is all the more necessary since the number of letters of credit to be issued has grown to such an extent that it is beyond the capacity of the relevant branch of the bank that presently holds the account to handle their processing and monitoring.

Such a step would not in any way alter the legal status of the Iraqi funds in question or their management in accordance with the memorandum of understanding. It would rather provide greater safety for them by preventing them from remaining in the custody of only one bank. The transformation by the United Nations Treasury of Iraq's aforesaid proposal into piecemeal measures is unacceptable. Iraq insists on its just demand, which accords with the provisions of the memorandum of understanding, that banking activities involving all banking operations should be shared among several banks.

The Government of Iraq is of the view that this step would be useful, not only for Iraq but also for the United Nations Treasury, in providing assurance that the banking procedures being followed in the management of the funds accumulated in the Iraq accounts are sound and are in accordance with the memorandum of understanding.

I am hopeful that, in your capacity as the party acting on behalf of the United Nations in the implementation of its memorandum of understanding with Iraq, you

will act expeditiously to safeguard Iraq's assets and will accede to its request that the banking activities relating to the revenues under the memorandum of understanding allocated to meeting the pressing humanitarian needs of the Iraqi people should be shared.

(*Signed*) Mohammed Said **Al-Sahaf**
Minister for Foreign Affairs of the Republic of Iraq